

RIVER BEND TRANSIT
Independent Auditor's Reports
Financial Statements
Supplementary Information
Schedule of Findings
June 30, 2013 and 2012

RIVER BEND TRANSIT

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RIVER BEND TRANSIT

Board of Directors and Agency Administration

<u>Board of Directors</u>	<u>Title</u>	<u>Term Expires</u>	<u>Address</u>
Tom Carnahan	Chairperson	2014	Davenport, Iowa
Roger Amhof	Vice-Chairperson	2013	Davenport, Iowa
Dolores Bergert	Secretary	2013	Charlotte, Iowa
Ronald Boesch	Treasurer	2014	Charlotte, Iowa
Carol Earnhardt	Member	2013	Davenport, Iowa
Scott Sauer	Member	2013	Muscatine, Iowa
Betty Ellerhoff	Member	2013	Tipton, Iowa
Connie Fett	Member	2013	Muscatine, Iowa
Jeanne Bragg	Member	2013	Davenport, Iowa
Doug Lindstrom	Member	2013	Bettendorf, Iowa
Joe Hutter	Member	2014	Bettendorf, Iowa
<u>Agency Administration</u>			
Randy Zobrist	Executive Director/CEO		Davenport, Iowa
Sherli Childers	Director of Finance/Human Resources/Contracts		Bettendorf, Iowa

Independent Auditor's Report

The Board of Directors
River Bend Transit:

Report on the Financial Statements

We have audited the accompanying financial statements of River Bend Transit (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Bend Transit as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with generally accepted accounting principles accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 on our consideration of River Bend Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering River Bend Transit's internal control over financial reporting and compliance.

Bettendorf, Iowa
September 30, 2013

Gabelmann & Associate, P.C.

RIVER BEND TRANSIT

Statements of Financial Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 249,242	\$ 634,751
Receivables	268,617	303,999
Investments (note 3)	3,057,854	2,329,036
Prepaid expenses	<u>90,059</u>	<u>51,366</u>
Total current assets	<u>3,665,772</u>	<u>3,319,152</u>
Property and equipment (notes 4 and 6):	7,241,981	7,159,305
Less accumulated depreciation	<u>4,559,796</u>	<u>4,277,424</u>
Net property and equipment	<u>2,682,185</u>	<u>2,881,881</u>
Total assets	<u>\$6,347,957</u>	<u>\$6,201,033</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 63,927	\$ 53,380
Accrued salaries and payroll taxes	76,710	61,671
Accrued vacation and sick leave (note 5)	<u>82,005</u>	<u>82,126</u>
Total liabilities	<u>222,642</u>	<u>197,177</u>
Net assets:		
Temporarily restricted (note 6)	<u>1,493,985</u>	<u>1,785,958</u>
Unrestricted:		
Undesignated	4,397,279	4,027,528
Board designated	<u>234,051</u>	<u>190,370</u>
Total unrestricted net assets	<u>4,631,330</u>	<u>4,217,898</u>
Total net assets	<u>6,125,315</u>	<u>6,003,856</u>
Total liabilities and net assets	<u>\$6,347,957</u>	<u>\$6,201,033</u>

See accompanying notes to financial statements.

RIVER BEND TRANSIT

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Service contracts	\$1,349,474	\$ -	\$1,349,474
User fees	464,625	-	464,625
Operating grants, federal	516,876	-	516,876
Operating grants, state	343,225	-	343,225
Capital grants	-	169,437	169,437
Contributions and other grants	11,757	-	11,757
Interest	74,608	-	74,608
Fuel tax refund	6,805	-	6,805
Training fellowship refund	8,705	-	8,705
Net realized gain (loss) on investments	28,964	-	28,964
Net unrealized gain (loss) on investments	189,825	-	189,825
Gain on sale of equipment	6,270	-	6,270
Net assets released from restrictions:			
Satisfaction of time or use restrictions	<u>461,410</u>	<u>(461,410)</u>	<u>-</u>
Total revenue and support	<u>3,462,544</u>	<u>(291,973)</u>	<u>3,170,571</u>
Expenses:			
Program expenses	2,370,405	-	2,370,405
Management and general expenses	<u>678,707</u>	<u>-</u>	<u>678,707</u>
Total expenses	<u>3,049,112</u>	<u>-</u>	<u>3,049,112</u>
Increase (decrease) in net assets	413,432	(291,973)	121,459
Net assets, beginning of year	<u>4,217,898</u>	<u>1,785,958</u>	<u>6,003,856</u>
Net assets, end of year	<u>\$4,631,330</u>	<u>\$1,493,985</u>	<u>\$6,125,315</u>

See accompanying notes to financial statements.

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$1,317,709	\$ -	\$1,317,709
487,841	-	487,841
408,095	-	408,095
316,172	-	316,172
-	173,319	173,319
9,960	-	9,960
69,593	-	69,593
7,006	-	7,006
8,324	-	8,324
(1,904)	-	(1,904)
(45,685)	-	(45,685)
2,960	-	2,960
<u>443,239</u>	<u>(443,239)</u>	<u>-</u>
<u>3,023,310</u>	<u>(269,920)</u>	<u>2,753,390</u>
2,483,202	-	2,483,202
<u>402,331</u>	<u>-</u>	<u>402,331</u>
<u>2,885,533</u>	<u>-</u>	<u>2,885,533</u>
137,777	(269,920)	(132,143)
<u>4,080,121</u>	<u>2,055,878</u>	<u>6,135,999</u>
<u>\$4,217,898</u>	<u>\$1,785,958</u>	<u>\$6,003,856</u>

RIVER BEND TRANSIT

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 121,459	\$(132,143)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	433,217	406,037
Gain on sale of property and equipment	(6,270)	(2,960)
Net (gain) loss on investments, realized and unrealized	(218,789)	47,589
Capital grants	(169,437)	(173,319)
Decrease in receivables	35,382	27,560
Increase in prepaid expenses	(38,693)	(2,160)
Increase (decrease) in accounts payable	10,547	(26,588)
Increase in accrued expenses	<u>14,918</u>	<u>9,122</u>
Net cash provided by operating activities	<u>182,334</u>	<u>153,138</u>
Cash flows from investing activities:		
Proceeds from sale of transportation equipment	9,742	51,893
Purchase of property and equipment	(237,027)	(253,948)
Purchase of investments	(870,371)	(269,059)
Proceeds from maturity and sale of investments	<u>360,376</u>	<u>211,306</u>
Net cash used by investing activities	<u>(737,280)</u>	<u>(259,808)</u>
Cash flows from financing activities -		
Proceeds from grants restricted for property and equipment acquisitions	<u>169,437</u>	<u>173,319</u>
Net (decrease) increase in cash and cash equivalents	(385,509)	66,649
Cash and cash equivalents, beginning of year	<u>634,751</u>	<u>568,102</u>
Cash and cash equivalents, end of year	\$ <u>249,242</u>	\$ <u>634,751</u>

See accompanying notes to financial statements.

RIVER BEND TRANSIT

Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

	2013		
	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$1,006,792	\$ 482,633	\$1,489,425
Payroll taxes and fringe benefits	130,068	54,179	184,247
Telephone	11,005	6,745	17,750
Fuel	474,840	-	474,840
Repairs and maintenance	117,710	15,278	132,988
Insurance	181,356	3,777	185,133
Travel and conferences	-	14,453	14,453
Board events	-	1,517	1,517
Professional services	8,385	20,818	29,203
Supplies	12,343	12,434	24,777
Utilities	9,457	5,797	15,254
Depreciation	390,212	43,005	433,217
Advertising	23,512	-	23,512
Investment fees	-	14,317	14,317
Other	<u>4,725</u>	<u>3,754</u>	<u>8,479</u>
Total	<u>\$2,370,405</u>	<u>\$ 678,707</u>	<u>\$3,049,112</u>

See accompanying notes to financial statements.

2012

<u>Program Expenses</u>	<u>Management and General</u>	<u>Total</u>
\$1,138,725	\$ 241,332	\$1,380,057
147,290	31,222	178,512
23,573	5,893	29,466
443,678	-	443,678
108,761	14,182	122,943
201,117	3,262	204,379
-	11,603	11,603
-	3,900	3,900
10,650	15,578	26,228
14,855	9,324	24,179
8,944	5,963	14,907
364,772	41,265	406,037
19,042	-	19,042
-	12,991	12,991
<u>1,795</u>	<u>5,816</u>	<u>7,611</u>
<u>\$2,483,202</u>	<u>\$ 402,331</u>	<u>\$2,885,533</u>

RIVER BEND TRANSIT

Notes to Financial Statements

June 30, 2013 and 2012

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

River Bend Transit (the Organization) provides transportation services for the elderly, disabled and general public of Scott, Muscatine, Clinton and Cedar counties in Iowa and Rock Island County in Illinois.

Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization's cash and cash equivalents consist of cash held in checking and savings accounts. All amounts deposited into the investment accounts with a trust department and all certificates of deposit, regardless of maturity, are excluded from cash equivalents.

(b) Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. It is management's belief that no allowance for doubtful accounts was necessary as of June 30, 2013 and 2012. There was no bad debt expense for the years ended June 30, 2013 and 2012.

Payment terms are negotiated for each service contract, therefore, a receivable is considered to be past due if any portion of the receivable balance is outstanding in excess of contracted terms. Interest is not charged on past due receivables.

(c) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices (Level 1). Investment income or loss, including interest and dividends and realized and unrealized gains and losses on investments, is included in the statement of activities as increases or decreases in unrestricted net assets.

RIVER BEND TRANSIT
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(d) Property and Equipment

Property and equipment are stated at cost. Assets received as gifts and contributions are stated at their fair values at the date of receipt. Depreciation for radios and office equipment is computed on a straight-line basis over the estimated useful lives of the assets which range from five to seven years. Depreciation for transportation equipment is computed on a straight-line basis over the estimated useful life of seven years (four years prior to 2011, note 4). Depreciation for the building is computed on a straight-line basis over the estimated useful life of thirty years. Depreciation for building improvements is computed on a straight-line basis over the estimated useful lives of the assets which range from fifteen to thirty years. Depreciation for the land improvements is computed on the straight-line basis over the estimated useful life of fifteen years.

(e) Classes of Net Assets

The financial statements report amounts by the following class of net assets:

Unrestricted net assets represent those net assets that the Organization may use at its discretion without restriction. Board designated unrestricted net assets represent amounts designated for the future acquisition of property and equipment.

Temporarily restricted net assets represent the percentage of property and equipment acquired with federally funded capital grants that are subject to reversionary interest (note 6). As the reversionary interest in federally funded property and equipment expires by passage of time or use the amount expired is reclassified to unrestricted net assets.

(f) Revenues, Support and Expenses

Revenues and expenses of the Organization are recognized on the accrual basis. Revenue is recognized in the accounting period in which it becomes measurable. Expenses are recognized in the accounting period in which the liability is incurred, if measurable.

The Organization receives a majority of its revenues from federal and state of Iowa grants and contracts. The Organization also receives payments from users of its transportation services. Operating grants are accounted for as exchange transactions and recognized as revenue in the period in which all contractual

RIVER BEND TRANSIT

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(f) Revenues, Support and Expenses, continued

requirements of the grant agreement have been fulfilled. Capital grants are recognized as temporarily restricted revenue until the reversionary interest in the assets purchased expires (note 6). Contributions received are recognized as revenue at their fair value in the period received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization records and classifies all project income as unrestricted when the donor restrictions are satisfied in the same reporting period as received.

(g) Allocation of Functional Expenses

The Organization allocates expenses to supporting services based upon estimated time spent by employees for wages and fringe benefits, and estimated and actual use for other expenses.

(h) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Income Tax Status

River Bend Transit is a nonprofit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization adopted the provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" (FASB ASC 740, "Income Taxes") effective July 1, 2009. Management has determined that the Organization does not have any income tax positions that expose the Organization to uncertainty that are required to be recorded or disclosed in accordance with ASC 740.

RIVER BEND TRANSIT

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(j) Fair Value Measurements

The Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures" effective July 1, 2009. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurement.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Wells Fargo:		
Checking account	\$ 11,124	\$ 11,305
Savings account	236,887	623,260
Flexible medical account	1,106	61
Petty cash	<u>125</u>	<u>125</u>
	<u>\$249,242</u>	<u>\$634,751</u>

(3) Investments

Investments consist of the following at June 30, 2013 and 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
June 30, 2013:			
Money market mutual funds	\$ 52,882	\$ 52,882	\$ -
Debt securities	1,435,587	1,438,263	2,676
Convertible securities	23,495	24,850	1,355
Equity securities	<u>1,119,843</u>	<u>1,541,859</u>	<u>422,016</u>
	<u>\$2,631,807</u>	<u>\$3,057,854</u>	<u>\$ 426,047</u>
June 30, 2012:			
Money market mutual funds	\$ 59,948	\$ 59,948	\$ -
Debt securities	879,188	927,093	47,905
Convertible securities	48,884	46,170	(2,714)
Equity securities	<u>1,104,795</u>	<u>1,295,825</u>	<u>191,030</u>
	<u>\$2,092,815</u>	<u>\$2,329,036</u>	<u>\$ 236,221</u>

RIVER BEND TRANSIT

Notes to Financial Statements

(3) Investments, continued

The investments of the Organization are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

The investments as of June 30, 2013 and 2012 were invested in two separate investment accounts as follows:

	<u>2013</u>	<u>2012</u>
Agency Reserve Account	\$ 960,155	\$ 519,142
Agency Investment Account	<u>2,097,699</u>	<u>1,809,894</u>
	<u>\$3,057,854</u>	<u>\$2,329,036</u>

The Board of Directors has designated investments of \$234,051 and \$190,370 as of June 30, 2013 and 2012, respectively, primarily for future property and equipment acquisitions.

(4) Property and Equipment

Property and equipment consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 82,220	\$ 82,220
Office equipment	372,094	363,557
Transportation equipment and accessories	4,441,997	4,370,158
Building	1,426,266	1,426,266
Building improvements	352,401	350,101
Land improvements	<u>567,003</u>	<u>567,003</u>
	<u>\$7,241,981</u>	<u>\$7,159,305</u>

The Organization's policy is to periodically review the estimated useful lives of its property and equipment. The review during fiscal year 2011 indicated that actual lives for certain asset categories generally were longer than the useful lives used for depreciation purposes in the Organization's financial statements. As a result, the Organization revised the estimated useful lives of certain categories of property and equipment, principally transportation equipment and accessories. Effective July 1, 2010, transportation equipment and accessories' useful life was extended to 7 years compared to 4 years used prior to July 1, 2010.

Total depreciation expense for 2013 and 2012 was \$433,217 and \$406,037, respectively.

RIVER BEND TRANSIT

Notes to Financial Statements

(5) Accrued Compensated Absences

Regular employees accumulate vacation leave hours for subsequent use or for payment upon termination. Vacation leave is accumulated at a rate of five days after one year of service, ten days after two years of service and eleven days after six years of service with one additional day each year thereafter up to a maximum of twenty days. Employees may accumulate these hours up to a maximum of 240 hours or thirty days.

All regular employees accumulate sick leave hours at a rate of five days per year and may accumulate these hours up to a maximum of 720 hours, or ninety days.

Upon termination employees will receive payment for one-third of the accumulated sick leave, not to exceed thirty days. The vested portion of the accumulated sick leave has been accrued as a liability in the statements of financial position, while the unvested portion represents a contingent liability of \$51,673 and \$55,227 as of June 30, 2013 and 2012, respectively.

(6) Reversionary Interest

The Organization received federal grant funds from the U.S. Department of Transportation passed through the Iowa Department of Transportation (IDOT) for the acquisition of equipment and the construction of its facility. The Organization holds the title to these assets, however, IDOT holds a reversionary interest in the federally funded portion of these assets. That is, the assets or the federally funded percentage of the proceeds from the sale of the assets would revert back to or be redirected by IDOT in the event the assets were no longer used for the purposes of providing transportation services to the elderly, disabled and the general public.

The reversionary interest expires on the transportation equipment if they are driven at least four years or have been driven more than 100,000 miles. The reversionary interest expires on office equipment and transportation equipment accessories evenly throughout the course of their useful lives which range from five to seven years. The reversionary interest on the facility does not expire and requires the payment of the federally funded percentage of the fair value of the facility at the time it ceases to be used for its intended purpose. The reversionary interests at June 30, 2013 and 2012 reported as temporarily restricted net assets is as follows:

	<u>2013</u>	<u>2012</u>
Transportation equipment	\$ 545,926	\$ 707,191
Office equipment and transportation equipment accessories	96,763	166,108
Facilities and facility improvements	<u>851,296</u>	<u>912,659</u>
Temporarily restricted net assets	<u>\$1,493,985</u>	<u>\$1,785,958</u>

RIVER BEND TRANSIT
Notes to Financial Statements

(7) Employee Benefit Plan

Effective January 1, 2000, the Organization implemented a Simple IRA plan covering all employees who are reasonably expected to earn at least \$5,000 in compensation for the calendar year. All eligible employees have the opportunity to set aside a portion of their annual salary, not to exceed limits defined in the Internal Revenue Code, before federal and state withholding taxes. In addition, the Organization matches up to 3% of the employee's annual salary contributed. All contributions are immediately vested. The Organization's contributions to this plan were \$16,135 and \$11,052 for the years ended June 30, 2013 and 2012, respectively.

(8) Concentration of Credit Risk

The Organization routinely invests its cash not immediately needed for operations in money market mutual funds. Investments in money market funds are not insured or guaranteed by the U.S. Government, however, it is management's belief that credit risk related to these investments is minimal. Money market mutual funds, included with investments, were \$52,882 and \$59,948 as of June 30, 2013 and 2012, respectively.

The Organization regularly maintains balances in excess of the FDIC insured limit at a major financial institution. It is management's belief that credit risk related to these deposits is minimal.

(9) Major Customers

The Organization earns a substantial portion of its contract sales from certain major customers. Net sales and grants from these major customers for the year ended June 30, 2013 and the related accounts receivable as of June 30, 2013, were as follows:

	<u>Net Sales</u>	<u>Receivable Balance</u>
Customer A	\$537,601	\$ 44,482
Customer B	424,255	62,203

(10) Subsequent Events and Contingencies

On July 1, 2009, River Bend Transit adopted changes issued by the Financial Accounting Standards Board (FASB) related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). River Bend Transit has evaluated subsequent events through September 30, 2013. Effective July 1, 2013, a major customer (Customer B in note 9) did not renew its contract for services with the Organization.

RIVER BEND TRANSIT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
U.S. Department of Transportation/ Passed through Iowa Department of Transportation/ ARRA Capital Investment Assistance Project	20.509	85-0034-090-13	\$ 99,046
Capital Investment Assistance Project	20.509	85-0034-090-13 18-0030-090-13	70,391
Non-Urban Operating Assistance Project	20.509	Reallocation	4,367
Non-Urban Operating Assistance Project	20.509	18-0030-090-13	263,281
Rural Transit Assistance Program	20.509	Training Fellowships	8,705
Total 20.509			<u>445,790</u>
Job Access/Reverse Commute Project	20.516	37-X020-090-11&13	178,638
New Freedom Operating Assistance Project	20.521	57-X005-090-11	45,737
U.S. Department of Housing and Urban Development/ Passed through City of Davenport/ Community Development Block Grant	14.218	CDBG-YR38	<u>24,875</u>
Total federal awards expended			<u>\$695,040</u>

See accompanying notes to schedule of expenditures of federal awards.

RIVER BEND TRANSIT

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of River Bend Transit and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

The Board of Directors
River Bend Transit:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of River Bend Transit (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered River Bend Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Bend Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of River Bend Transit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of River Bend Transit's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Bend Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

River Bend Transit's Response to Findings

River Bend Transit's response to the finding identified in our audit is described in the accompanying schedule of findings. River Bend Transit's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bettendorf, Iowa
September 30, 2013

Gabelmann & Associates, P.C.

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133

The Board of Directors
River Bend Transit:

Report on Compliance for Each Major Federal Program

We have audited River Bend Transit's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of River Bend Transit's major federal programs for the year ended June 30, 2013. River Bend Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of River Bend Transit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about River Bend Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on River Bend Transit's compliance.

Opinion on Each Major Federal Program

In our opinion, River Bend Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of River Bend Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered River Bend Transit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of River Bend Transit's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a significant deficiency.

River Bend Transit's response to the internal control over compliance findings in our audit is described in the accompanying schedule of findings. River Bend Transit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bettendorf, Iowa
September 30, 2013

Gabelmann & Associates, P.C.

RIVER BEND TRANSIT
Schedule of Findings
Year Ended June 30, 2013

Part I: Summary of Auditor's Results

Financial Statements

- (a) An unmodified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.

Federal Awards

- (a) An unmodified opinion was issued on compliance for major federal programs.
- (b) The audit did not disclose any material weaknesses in internal control over major programs.
- (c) Significant deficiencies in internal control over major programs were disclosed.
- (d) No audit findings were disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(a).
- (e) The major programs for the June 30, 2013 audit were as follows:

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
U.S. Department of Transportation/ Iowa Department of Transportation/ ARRA Capital Investment Assistance Project	20.509	85-0034-090-13	\$ 99,046
Capital Investment Assistance Project	20.509	85-0034-090-13	70,391
Non-Urban Operating Assistance Project	20.509	18-0030-090-13	267,648
Rural Transit Assistance Program	20.509	Training Fellowships	8,705
Total major programs			<u>\$445,790</u>

RIVER BEND TRANSIT

Schedule of Findings

Year Ended June 30, 2013

Part I: Summary of Auditor's Results, continued

Federal Awards, continued

- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) River Bend Transit qualified as a low risk auditee.

Part II: Findings Related to the Financial Statements

Significant Deficiency

2013-001 Segregation of Duties

Finding: The Organization is very conscious of internal controls related to segregation of duties and has implemented many controls to attempt to mitigate a risk of losses from employee errors and dishonesty due to a limited number of office personnel. However, even with significant mitigating controls in place, financial reporting, payroll processing and recording, and contract billing/reimbursement are primarily performed by the Director of Finance. From an internal control standpoint, this combination of duties is not conducive to adequate segregation of duties.

Recommendation: From a practical standpoint, strong segregation of duties related to confidential and/or sensitive data is not practical with a limited number of personnel. The Organization has implemented mitigating controls to compensate for a lack of segregation of duties such as Board approval of all disbursements, monthly financial report reviews including comparisons to budget, and periodic oversight of the daily activities by the Board and the Executive Director. Since strong segregation of duties is not practical, oversight is the primary mitigating control. As such, the Board and Management oversight should continue.

Response and Corrective Action Plan: Management will continue to investigate opportunities to further segregate financial responsibilities and the Board of Directors and the Finance Committee will continue to provide strong monitoring and oversight.

Conclusion: Response accepted.

RIVER BEND TRANSIT

Schedule of Findings

Year Ended June 30, 2013

Part III: Findings Related to Compliance with Federal Awards

Significant Deficiency in Internal Control Over Compliance

2013-002 Segregation of Duties

All Federal Programs

Questioned Costs - None

See Finding 2013-001

Part IV: Summary of Prior Year Audit Findings

12-II-A and 12-III-A Segregation of Duties

Comments still valid. Refer to current year findings 2013-001 and 2013-002.